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In the Supreme Court
of the United States

OCTOBER TERM, 1957

No. 904

E. V. PRENTICE MACHINERY CO. and
PRENTICE MACHINERY WORKS, INC.,
Petitioners,

v.

ASSOCIATED PLYWOOD MILLS, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

Brief in Opposition to Petition for a Writ of Certiorari

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OPINIONS BELOW

Petitioners err in stating that the opinion of the district court in this case is reported at 113 F. Supp. 182. The reported opinion was rendered by the district court on the application of petitioner E. V. Prentice Machiner, Co. for the allowance of an attorney's fee after a favorable jury verdict in a previous declaratory judgment suit to declare certain of respondent's patents invalid.

In the case at bar, neither the opinion of the district court (R. 96-103), nor the unanimous opinion of the United States Court of Appeals for the Ninth Circuit (R. 471-480) has been reported.

STATEMENT OF THE CASE

The findings of fact made by the district court, sitting without a jury (R. 104-111), in this action under Section 4 of the Clayton Act (15 U.S.C.A. § 15) to recover treble the amount of $1,500,000.00, together with attorneys' fees and costs, are well summarized in the opinion of the court of appeals, which unanimously affirmed the final judgment of dismissal.

In essence, the record shows that petitioner E. V. Prentice Machinery Co. (hereinafter called Prentice) and respondent were engaged in selling and leasing competitive plywood patching machinery. In July of 1952, respondent's then patent attorneys sent a letter (R. 106-107) to twenty-nine of petitioner's customers demanding that they cease infringing respondent's patents by their use of the Raimann patching machine for which Prentice was the authorized sales agent.

Prentice thereupon filed a declaratory judgment suit in the Oregon federal court to have respondent's patents declared invalid and not infringed. A jury trial resulted in a verdict for petitioner. Following the trial, Prentice was successful in its application to the court for an allowance of an attorney's fee of $7,500.00. In its extensive opinion on this question, the court (R. 63-78, 113 F. Supp. 182), bound by the criteria in

Park-In-Theatres v. Perkins, 190 F.2d 137 (CA9), held that respondent had been guilty of such unfairness and inequitable conduct that it would be grossly unjust for Prentice to bear the burden of its own attorney's fee, and the court made several comments with respect to loss of business by Prentice as a result of these letters (R. 473, note 3). However, in its opinion rendered after the trial of the case at bar, the court explicitly found that these prior statements were incorrect, and were based, not upon evidence, but upon erroneous representations made by Prentice's attorneys at a time when they were resisting an application for the delay of the patent infringement suit (R. 97, 110-111).

In this subsequent action for treble damages, petitioners filed a timely demand for jury trial. However, prior to the commencement of the trial petitioners waived a jury, and respondent admitted liability in violating the antitrust laws and waived all defenses relating to the issue of its liability to petitioners, but expressly reserved the question "whether the plaintiffs sustained any damage by any act of defendant asserted or assertable in this action" (R. 105). Thereafter, the trial proceeded before the court on this "single issue" (ibid.). The testimony of sixteen witnesses was taken orally and nearly two hundred exhibits were offered and admitted into evidence.

The trial court's opinion discusses in detail some of the evidence which impelled its finding of fact that petitioners "did not suffer any damages by reason of the wrongful acts of the defendant," and that any reduc-

tion in the level of their business in 1952 and 1953 "was caused by factors other than the letter and offensive lease provisions" (R. 96-103). The decision reflects a painstaking analysis and appraisal of the documentary evidence, particularly the letters written by the Prentice brothers which directly contradicted their trial testimony (R. 100-101). The comprehensive findings of fact thereafter entered adhere closely to the trial court's opinion and likewise reflect the court's appraisal of the credibility of the Prentice brothers (R. 105-111).

The unanimous opinion of the appellate court rests upon the ground that the trial court's findings, based as they were upon conflicting evidence and an appraisal of the credibility of petitioners' principal witnesses, were supported by substantial evidence and were not "clearly erroneous" (R. 478).

ARGUMENT

I.

The record presents no substantial question of law which will govern the disposition of other cases, but merely a unique factual situation of interest only to the parties before the Court.

Petitioners appeal to this Court's discretionary power of review on the ground that unless a reversal is had, this case will stand as an effective barrier against any other private treble damage action in the Oregon federal court "because of the impossible burden of proof the District Court placed on plaintiffs in such actions" (Pet. pp. 5-6).

Contrary to petitioner's contention, the record shows that at the outset and during the trial the court was convinced that petitioners had sustained injury to their business as a result of respondent's activities (R. 125, 245). As stated by the court of appeals: "When the evidence was all in, however, the judge, as he had the right to do, changed his mind as to what the evidence proves" (R. 478).

In point of fact, the trial court placed upon respondent the burden of proving by a preponderance of the credible evidence that its acts had not caused damage to petitioners' business, and that any decline in revenues and profits was caused by other factors for which respondent was not responsible.

These factors were clearly set out by the trial court in its findings to include, among others: (A) customer dissatisfaction regarding Raimann machines, other equipment purchased from petitioners, and their sales and service policies; (B) customer dissatisfaction with the cutting dies supplied by Prentice for use with the Raimann machines, and Prentice's inability to supply dies for Raimann machines which would produce a high grade veneer patch; (C) failure of petitioners to promote sales; (D) petitioners' failure to conduct and operate their business in an aggressive and businesslike manner; and (E) fluctuations in the business level of the plywood industry which resulted in a reduced demand for petitioners' products (R. 109).

Petitioners erroneously state that ". . . it is uncontradicted that plaintiffs suffered a sharp decline in business immediately after the [antitrust] violation" (Pet. p. 2).

Quite to the contrary, the trial court found that ". . . plaintiffs' sales fell off from the year 1951 volume several months prior to the Smith & Tuck letter of July 25, 1952" (R. 110). The trial court further found: "Plywood prices and production decreased sharply before and during the period following July 25, 1952, and this industry fluctuation caused the decline in plaintiffs' business for which they seek to recover damages in this action" (R. 110).

The court of appeals has unanimously affirmed all these crucial findings of fact, and under the long-settled rule, they will be accepted by this Court without further re-examination of the evidence (*Allen v. Trust Company of Georgia*, 326 U.S. 630, 636; *United States v. Dickinson*, 331 U.S. 745, 751; *Comstock v. Group of Institutional Investors*, 335 U.S. 211, 214 [collecting cases]). Thus, this case falls under the familiar doctrine which has been well stated in *Robertson and Kirkham, "Jurisdiction of the Supreme Court of the United States" (Wolfson and Kurland Edition)*, § 310, p. 588:

> "Certiorari is not granted to review evidence and discuss specific facts; nor was that jurisdiction conferred upon the Supreme Court merely to settle matters of private interest or give the party defeated in the court below another hearing."

The asserted conflict between this case and the decisions in *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, and *Bigelow v. R.K.O. Radio Pictures, Inc.*, 327 U.S. 251, is nonexistent. Without reviewing the facts of those cases, it is sufficient to note that this Court held in each that there was sufficient

evidence to present to the trier of fact a question of fact as to whether the alleged wrongful acts had caused damage to the plaintiffs where, as Chief Justice Stone stated in the *Bigelow* case, ". . . the decline in prices, profits and values [were] not shown to be attributable to other causes" (327 U.S. p. 264).

In the case at bar, the trial court found that any reduction in the level of petitioners' business was in fact caused by factors other than respondent's acts and that the decline commenced months before the July 25, 1952 letter. The court of appeals has held that there was substantial evidence to support this finding. That court's opinion (R. 477, note 4) shows that the cases relied upon by petitioners were thoroughly considered and distinguished on the ground that ". . . the question was not (as it is here) whether a finding against plaintiff on the question of causation (or amount of damages) is supportable, but whether a finding or verdict for plaintiff on this question may be sustained [citations]. Needless to say, a holding that the evidence is sufficient to support a finding or verdict that the established decrease in business was caused by a defendant's wrongful acts is not authority for the proposition that a contrary finding or verdict on that question must be set aside." While petitioners maintain that the court of appeals ". . . merely extracted for comment a distinction without a difference between the case at bar and those cases" (Pet. p. 6, note), the distinction is fundamental because it relates to the basic function of the trier of the facts, whether it be court or jury, to weigh conflicting evidence and appraise the credibility of the witnesses.

Petitioners beg the question by arguing that "If a plaintiff proves the amount of damage, as did petitioners, he has also proved the fact of damages" (Pet. p. 9). If, as found by the trial court, petitioners failed to show any damage, then, as a necessary corollary, they failed to prove the amount of damage. Petitioners appear to ignore the explicit language of Section 4 of the Clayton Act which gives a right of action only to "Any person who shall be injured in his business or property *by reason of* anything forbidden in the antitrust laws . . ." (emphasis supplied). As stated by Mr. Justice McKenna in *Virtue v. Creamery Package Manufacturing Company*, 227 U.S. 8, 24: "To justify recovery, therefore, injury must result from something forbidden or made unlawful by the act . . ."

Thus, this case is analogous to the decision in *Buckeye Powder Co. v. E. I. DuPont de Nemours Powder Co.*, 248 U.S. 55, in which this Court, on a writ of error, affirmed a jury verdict for defendant which had been sustained by the court of appeals. In that case, Mr. Justice Holmes succinctly stated (at p. 65):

> "The defendant put in evidence tending to show that its conduct was not the cause of the plaintiff's failure, and its evidence, or the weakness of the plaintiff's, prevailed."

II.

The courts below did not err in refusing to apply the doctrine of collateral estoppel.

The record on this point has been summarized (ante pp. 2-3). The trial court and the court of appeals rejected petitioners' argument that statements in the attorney's fee opinion should be binding upon respondent in this subsequent treble damage action, where, after considering all the evidence, the court held that these prior statements with respect to damages sustained by petitioners were incorrect and were based upon erroneous representations made by petitioners' attorneys in the prior proceeding (R. 110-111, 473-474).

As noted above, the district court followed the criteria stated in *Park-In-Theatres v. Perkins*, 190 F.2d 137 (CA9), that an exercise of discretion in favor of an allowance of an attorney's fee ". . . should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some equitable consideration of similar force . . ." making it grossly unjust that the winner bear his own attorney's fee. Obviously, whether or not petitioners lost sales or were damaged was not essential to support the ultimate finding of "unfairness and inequitable conduct" upon which the trial court based its decision (R. 78). An award was justified irrespective of resulting injury, which was relevant, if at all, only to show the alleged consequences of respondent's inequitable conduct.

At best, the fact of injury was merely an evidentiary or "mediate" fact in the attorney's fee proceeding, rather

than an "ultimate fact," under Judge Learned Hand's definition in *The Evergreens v. Nunan*, 141 F.2d 927, 928 (CA2), cert. den. 323 U.S. 720, which has been recently followed by this Court in *Yates v. United States*, 354 U.S. 298, where Mr. Justice Harlan held (at p. 338): "So far as mere evidentiary or 'mediate' facts are concerned, the doctrine of collateral estoppel is inoperative." The *Yates* case is in accord with prior authority holding that the principle of collateral estoppel is not applicable to points considered collaterally or incidentally in a previous proceeding between the parties on a different cause of action (*Norton v. Larney*, 266 U.S. 511; *North Carolina R. Co. v. Story*, 268 U.S. 288; and see: *Hopkins v. Lee*, 6 Wheat. 109; *Smith v. McCool*, 16 Wall. 560; 2 *Freeman on Judgments*, § 690, 697, pp. 1457-1460, 1474-1478 [collecting cases]).

In view of the settled rule, it is not surprising that petitioners make no claim that either the decision of the district court or the court of appeals on the "collateral estoppel" point was in conflict with decisions of this Court or of other courts of appeal.

CONCLUSION

Petitioners' contention that this decision is a manifestation of "the continuing trend of hostility in the Ninth Circuit towards antitrust litigation" (Pet. p. 11) is merely the unsupported opinion of disappointed and dissatisfied litigants. Petitioners have had their full day in court to litigate their private grievances against respondent. All the evidence, oral and documentary, has been fully considered by two federal courts.

On the record before this Court, there is no substantial legal question of public importance relating to the administration of the antitrust laws, but only petitioners' last desperate attempt to secure a further review of a most unique and complicated mass of testimony and other factual data.

On the grounds above stated, the petition for a writ of certiorari to the United States Court of Appeals for the Ninth Circuit should be denied.

Respectfully submitted,

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